Investment Pattern of People in Rural Areas of Himachal Pradesh- A Case Study of District Una

A SYNOPSIS

SUBMITTED TO HIMACHAL PRADESH UNIVERSITY,

SUMMER HILL, SHIMLA

FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

IN

COMMERCE

SUPERVISED BY:

Prof. (Dr.) Des Raj Gupta
Professor, Department of Commerce
H. P. University, Shimla-171005

SUBMITTED BY:

BHARAT BHUSHAN

DEPARTMENT OF COMMERCE
HIMACHAL PRADESH UNIVERSITY,
SUMMER HILL, SHIMLA-171005

Investment Pattern of People in Rural Areas of Himachal Pradesh- A Case Study of District Una

1 INTRODUCTION

India is a developing country where, there has been a consistent increase in the national saving rate after the independence period, though with considerable fluctuations from year to year. In international standpoint of view, India has had a high saving rate compared to other developing countries, except those in East Asia. To study on rural savings in India need to look into four aspects namely the determinants of savings, the composition of savings, the methods of measuring savings, and the pattern of saving. The present study tries to analyze the determinants and pattern of saving behaviour in rural household in Himachal Pradesh.

Saving is an important variable for every country to be studied for the economic growth and development of any country. Saving is an important macroeconomic variable to be studied under the purview of the economic arena on an individual as well as household basis. According to classical economists like Adam Smith, David Ricardo and J. S. Mill, “saving is an important determinant of economic growth”. Saving components can be based on an individual or on household basis which proves to be the well being. As for an individual saving becomes the cushion for the future’s intercourse of the unforeseen and upcoming as well as the uncertain circumstances of life.

Saving is the part of the income earned by the individuals. For the higher economic growth for the country, marginal propensity to save should be higher but it helps to the multiplier process. The determinants and patterns of saving differ from rural to urban region. In rural areas, the marginal propensity to consume is more rather than the marginal propensity to save which seems to be vice-versa in urban areas where the marginal propensity to save is more than that of the marginal propensity to consume. According to Lewis (1954), the central problem in the theory of economic development is to understand the process by which a community which was previously saving and

investing four or five percent of its national income changes into an economy where voluntary saving is running at about twelve to fifteen percent or more of the national income. According to Rao (1980) saving constitutes the basis for capital formation, and capital formation constitutes a major determinant of economic growth.

In the developed countries, the income is generated at a higher rate which encourages people to have more savings which opines to more investment leading to more capital formation. But in a country like India, the income standard is almost uncertain and leads to more consumption rather than saving. On average East Asia saves more than 30 percent of gross national disposable income while Sub-Saharan Africa saves less than 15 percent. Regional differences have been rising: over the past three decades saving rates have doubled in East Asia and stagnated in Sub-Saharan Africa and in Latin America and the Caribbean. By a hike in aggregate saving, the social value of saving can exceed its private value in many developing countries, mainly in the poorer countries with India to be one of them.

In India, as in many developing countries, most households are poor and do not save. Here, there is a requirement of mobilization of rural saving for financial growth. Aggregate saving in any economy depends on a number of determinants. In the Indian economy, the household sector contributes a lion's share of the total saving which needs to be stepped up.

1.2 Types of Savings

The types of saving are mainly based on the income available to the household, firm and corporate bodies. The saving type can be classified on the basis of the sectors accounting for the saving distribution. It can be broadly classified under three headings namely, (a) household sector saving, (b) private sector saving and (c) public sector saving. The categories of savings are discussed below:

1.2.1. Household Sector Saving

The savings done or accrued by the individual members in a household consists of household sector saving. The household saving contributes to a larger share in the

Indian economy which comprises of the individuals saving behavior at a larger scale including the financial as well as the financial assets. The individuals at the household level make a share to the national income computation of a country.

1.2.2. Private Corporate Sector saving

The savings made in the private owned corporations are called as the private sector corporations. The private corporate sector comprises of (i) non-government non-financial companies, (ii) commercial banks and insurance companies working in private sector, (iii) co-operative banks, credit societies and non-credit societies and (iv) non-banking financial companies in the private sector.

1.2.3. Public Sector Saving

The public sector's savings are constituted into (i) government savings, and (ii) savings generated by the public sector undertakings in the form of internal resources. One process of estimating public sector saving is to scrutinize the relationship between public savings and the consolidated returns shortage of government which is an alternative measure of government savings.

1.3. Nature of Saving

Savings can be known as the cash or physical products set aside for future use. People in rural and other low-income communities can save when they are guided and encouraged by the Government and financial institutions. The people in rural region, savings are made through traditional credit rotation groups, or purchase of domestic animals (goats, pigs, chickens or cows). Gradually, the traditional way of saving in rural region has been abolished; the people shifted their saving pattern to save in form of physical assets, like gold, land and durable goods and financial assets like shares, stocks, and bonds.

The Micro Finance Institutions (MFIs) and micro-enterprises are playing a major role in recent years in rural region by encouraging the people to save more. MFIs need to inject capital or funds which may be the owner's of money or loan. When a loan is used, it is someone else who has done the saving. Micro enterprises, like other businesses, convert savings (of the owners and of others) into investment, in the creation of wealth.

Variations in the saving pattern is mostly found in different societies, as there exists, a difference in environmental, social, economic and cultural contexts. Human wants get transformed as the society grows and in turn cause substantial changes in the outlook of the people towards saving. In low-income communities, the ability to save is low and often is in cash or kind. Saving in cash is cheap and convenient. Variations in saving is visible in different communities as there exists difference in income levels, consumption pattern, awareness of the saving benefits, family size, investment opportunities, etc. Human attitude towards saving has been changed through decades as in the remarkable growth in the society.

1.4. Determinants of Savings Rate

The rural household's decision to consume present or in the future is influenced by the current or permanent income. The significance of 'incentives' as a determinant of savings is that although there has been a long footing fright about the effects of the level of per family income upon proportion of income that is saved, there has been no comparable concern about the effect of variation in the relative prices of new income streams upon savings and investment. There are number of factors which determine the saving rate in an economy. Some of the important determinants are discussed below:

1.4.1. Real per Capita Income

The real per capita income of the individuals proves to be a foremost determinant of saving rate. When the income of an individual increases the consumption pattern improves which in the sense some part is left out which goes to saving as to secure one's unforeseen future. As rightly pointed out by the neoclassical growth model (Solow, 1956) that higher savings rate will lead to higher steady situation levels of income (or output) per capita, while the endogenous growth theory models imply that higher savings rates would lead to higher levels of growth of income per capita. Thus in common, both the variables should be well thought-out. The real (in stable domestic prices) Gross Domestic Product (GDP) per capita is used as an estimation of real income. These two indicators rightly give an outlay to the saving pattern.

1.4.2. Demographic Features

The saving can be most often determined by the demographic features like the sex ratio, the age distribution, and the rate of dependant population. Saving is highly determined by whether the female's contribution towards saving is more or the male is contributing to its highest level and again if the problem of the age distribution in the family contributing to the saving is optimum then the saving rate is determined in a different perspective. Aggregate savings is exaggerated by the age distribution of the population if the carve up of dependent population is high than the income earning groups, the savings ratio will be low. According to the life-cycle hypothesis a larger working population next of kin to the older population contributes to raise the savings rate. In an instance if the income earning population is comparably high to that of the dependant population then the saving rate will experience a hike which is in some way will lead to income propagation in a country in a long term basis.

1.4.3. Share of Agriculture to GDP

India is an agriculture dominant country where most of the people are engaged in agricultural activity in which the concentration of the rural population is more. As because of some way or the other the production level decides the fate of the individual farmers which sometimes experiences a high production level will have more income and will automatically encourage the people to save more and if the production is less than the income will have a fall resulting in a sharp fall in the saving rate. The rural or agricultural sector of the economy can display different savings behaviour than the urban/industrial sector, especially in the case of developing countries, with large agricultural sectors. The agricultural sector could have a different savings rate due to a lower access to the banking system and because of lower and unbalanced incomes in the agricultural sector and sometimes due to lack of access to other financial institutions nearby also determines the saving rate. Proper awareness and education is needed to have a proper understanding of the saving rate of a country with a remarkable share in the GDP.

1.4.4. Real Interest Rates

Every banking institution including other financial institutions encourages people to save with an expectation of giving a considerable amount of rate of interest on the saving amount. This rate of interest determines the saving rate of the individuals on a view to encourage people towards saving. When the rate of interest is high people are more interested to save rather than invest and when the rate of interest is less people are less inclined towards saving rather than they are likely to invest more in an expectation of getting more rate of return. There is a negative and an inverse relationship between savings and rate of interest. Critically, an increase in interest rates will have an indefinite effect on savings because of a positive substitution effect towards future consumption and a negative income effect due to increased real proceeds on saved wealth.

1.4.5. Social Barriers

The society we live in is full of constrains likely due to variations and distinctness in the age, sex, culture, tradition, social taboos, and many more which by playing an important role determines the saving behaviour of any region, state or country. Income plays a major role in identifying the saving distinctness among different groups but income cannot always remove all the barriers for availing the opportunities because of the variations offered in the context of culture, gender, class etc. People belonging to diverse ethnic groups can have a refutation to the equal admittance to education, employment, and other basic services by the social and financial institutions as well as the investment opportunities available.

1.5. Structure of Savings in India

In India domestic savings originate from three principal sectors namely: (i) household sector, (ii) Private-corporate sector and (iii) public sector. The household sector comprises of individual, non-corporate business and private collectives like temples, educational institutions and charitable foundations. The saving can be held in the form of increases in (a) Liquid assets like currency bank deposits and gold (b) Financial assets like shares, securities and insurance policies and physical assets. The corporate sector includes joint stock companies in the private business sector, industrial credit and

Investment Corporation etc., and cooperative institutions. Saving of the corporate sector is represented by the retained earnings of this sector. Government sector consists of the central and state government, the local authorities and various government and department undertakings; hence the saving of this sector relates to the budgetary surplus on current account of the central government, state government, local authorities, the current surplus of various government departments and retained projects of government undertakings.

1.6 An Overview of the Economy of Himachal Pradesh

Himachal Pradesh has emerged as a leading economy in the Country and is also a leader in Hill Area Development, Agriculture & Horticulture revolution. Responsive administration and conducive macro economic conditions have induced a competitive environment in the economy and has lead to a robust economic performance in the state of Himachal Pradesh.

The State Gross Domestic Product (GSDP) at factor cost at constant (2004-05) prices in 2010-11 is estimated at `39,066 crores as against `35,907 crores in 2009-10 registering a growth of 8.8 percent during the year as against the growth rate of 8.1 percent during the previous year. At current prices, the GSDP is estimated at ` 54,695 crores as against 46,969 crores in 2009-10 showing an increase of 16.4 percent during the year.

The Per Capita Income at current prices witnessed an increase of 15.6 percent as it increased to `65,535 in 2010-11 from ` 56,706 in 2009-10. The increase in total State Domestic Product is mainly attributed to 16.3 percent in Primary sectors, 15.9 percent in Finance & Real estate, 12.4 percent in Services Sector and 5.0 percent in Transport and Trade. Whereas the Secondary sector attributed only 4.3 percent. Food-grains production, which was 11.11 lakh MT during 2009-10 has increased to 14.94 lakh MT during 2010-11 and is expected to increase to 15.59 lakh MT (anticipated) in 2011-12. The fruit production has increased by 2.69 times i.e. from 3.82 lakh MT in 2009-10 to 10.27 lakh MT in 2010-11 and during 2011-12 (up to December, 2011) production was 3.29 lakh MT.

The economic growth in the State is predominantly governed by agriculture and its allied activities showed not much fluctuations during nineties as the growth rate remained more or less stable. The decade showed an average annual growth rate of 5.7 percent, which is at par with national level. The economy has shown a shift from agriculture sector to industries and services as the percentage contribution of agriculture and allied sectors in total State Domestic Product has declined from 57.9 percent in 1950-51 to 55.5 percent in 1967-68, 26.5 percent in 1990-91 and to 17 percent in 2010-11

The State has made significant progress in the development of Horticulture. The topographical variations and altitudinal differences coupled with fertile, deep and well drained soils favor the cultivation of temperate to sub tropical fruits. The region is also suitable for cultivation of ancillary horticultural produce like flowers, mushroom, honey and hops. During the year 2011-12 up to December, 2011, 3.29 lakh tones of fruits were produced in the state and it is envisaged to bring 4,000 hectares of additional area under fruit plants against which 4,328 hectares of area has already has brought under plantation and 10.48 lakh fruit plants of different species were distributed up to December, 2011.

1.6.1 An Overview of the Economy of District Una

Una is a district of Himachal Pradesh which lies in its south western part. On the 1st September, 1972 the Himachal Pradesh Govt. reorganised the Kangra district into three districts namely Una, Hamirpur and Kangra. The famous places of Una are 'Chintpurni' Goddess temple, Dera Baba Barbhag Singh, Dera Baba Rudru, Joggi Panga, Dharamshala Mahanta, Dhunsar Mahadev Temple Talmehra, Shivbari Temple Gagret and Mini Secretariat. Una district is well developed in the industrial sector due to close proximity to Punjab. Mehatpur, Gagret, Tahliwal & Amb are main industrial centres of Una. On 11th January 1991, Una has been provided with railway line by laying 14 Kms broad gauge track from Nangal (Punjab) to Una. Punjabi, Hindi, Pahari are common languages spoken. In winter, climate is cool, woolen clothes required. In summer, climate is hot, cotton clothes required. From July to September, it is rainy & humid.

As of 2011 India census, in 2011, Una had population of 5, 21,173 of which male and female were 2, 63,692 and 2, 57,481 respectively. Its population constituted 7.59 percent of Himachal's population. There was change of 16.26 percent in the population compared to population as per 2001 census. Density of population is 338 and literacy rate is 87.23%. The district has a mixed terrain, consisting of both plain and hilly areas.

There are five development blocks namely Una, Bangana, Amb, Gagret and Haroli are functional in Una Distt. .There are total 219 Gram Panchayats in the district.

2. Review of Literature

The income is the important function of saving. But rate of interest determines the saving behaviour. In India, the saving behaviour plays an important role to influence the standard of living, social security, and social welfare. There is historic scenario of pattern saving behaviour in India both rural and urban household.

Jappelli and Pagano (1997) examined productivity growth, in the progress of credit and insurance markets, and the changes in the social security system. They used a series of recurring cross-sections data from the Survey of household income and wealth in order to check if the macroeconomic explanations for the turn down in saving are consistent with microeconomic data or not. This paper focused on the Italian experience and the behaviour of the Italian saving rate. The factors that in the Italian experience deserve the closest analysis that they have taken are (i) the stage of development of its credit and insurance markets; (ii) the changes in the social security system, and (iii) the sharp demographic change of Italian society in the last two decades. In view of the fact that differences in growth and in fiscal policy cannot explain the facts fully, what other factors may explain the high Italian saving rate of the 1960s and 1970s and its quick decline in the 1980s and 1990s has been taken into report. The time-series and cross-country verification suggests a strong positive connection between growth and aggregate saving. Based on that indication the yield slowdown, together with the retiring de-regulation of the credit and insurance markets and the changes in the social security system surveyed appears as the main candidate to account for the changes of the Italian private saving rate. This study predicted a positive correlation between total saving and growth; they have quite different predictions about the correlation between individual saving rates and growth.

Athukorala and Sen (2001) examined the determinants of private saving in the process of economic development, in the light of the Indian experience during the period 1954 - 1998. The methodology involved the estimation of a saving rate function derived within the life cycle framework while paying attention to the structural characteristics of a developing economy. It was found that the saving rate rises with both the level and the

rate of growth of disposable income and the magnitude of the impact of the former is smaller than that of the latter. Terms of Trade changes and inward remittances by expatriate Indians seem to have a negative impact on the saving rate. There is also a clear role for fiscal policy in increasing total saving in the economy, with the private sector considering public saving as an imperfect substitute for its own saving.

Issahaku (2011) identified the age composition and assets do not have a major effect on saving. The factors that make household investment are occupation, expenditure, assets and saving. Any assessment or policy pertaining to finance and development by government, the private sector or financial institutions geared towards improving saving and investment in Nadowli must integrate these factors. Primary data were collected from the households of Nadowli. Interviews and discussions were vigorously pursued with sample households and this was mainly geared towards resulting appropriate responses to some of the frequently asked questions about saving and investment. This paper studied on a microeconomic approach of estimating the determinants of financial saving and investment in one of the most underprivileged district capitals in Ghana, the Nadowli in the Nadowli District of the Upper West Region. Two separate compound linear regression models were fixed for saving and investment. The variables used saving, investment, household income, dependents, assets, educational status as the determinants of saving. The paper found that age composition and assets do not have a significant effect on saving. The factors that constrain household investment are occupation, expenditure, assets and saving. In view of the untold of saving and investment potentials in Nadowli, the government, financial and non-financial institutions and other corporate bodies have a part to play to obtain advantage of these potentials and opportunities.

Chandra and Long (2003) examined the determinants of household saving in the process of economic development, in the beam of the Taiwanese experience for the duration of the period 1952–99. They found that the household saving rate rises with both the intensity and the rate of augment of household disposable income and that the real deposit rate has a significant affirmative impact on saving. Public saving they revealed seems to throng out private saving, but less than proportionately and that while both old- and young-dependency in population have a off-putting impact on the saving

rate, the level of the impact of the former is far greater than with the intention of the latter. As a final point, they concluded that improved accessibility of social security provisions and improved credit availability in addition appear to cut saving.

Employing an active section study of the determinants of the household saving rate in China using a life cycle model and section data on Chinese provinces for the 1995-2004 period from China's household survey, Horioka and Wan (2007) established that China's household saving rate has been high and rising and that the main determinants of variations overtime and over space are the lagged saving rate, the income growth rate, the real interest rate and the inflation rate. However, they found that the variables relating to the age structure of the population usually do not have a significant impact on the household saving rate. These results they claimed provide mixed support for the life cycle hypothesis as well as the permanent income hypothesis, and that they (the results) are consistent with the existence of inertia or persistence, and imply that China's household saving rate will remain high for some time to come.

Nga (2007) examined a general idea of household saving in South Africa intended for the phase 1983 to 2003. She identifies the main factors responsible for the lack of a commitment to saving which are particularly relevant in the case of poor households. The major factors are: lack of income (due to unemployment), inadequate income, over-consumption (due to obvious consumption, procedural rationality and the bandwagon effect) and market failures, such as unfinished or even no information, lack of financial literacy, cultural and political factors. The study incorporated an overview of the existing literature and it is both quantitative and qualitative. A qualitative analysis is used to infer secondary data and a typology case study was presented. The major findings of all these theories are that savings is that part of income that is not spends or consumed. Income was found to be the main determinant of savings for a multiplicity of purposes such as precautionary and bequest motives. The fundamental reasons or importance and role of households to save were highlighted. Experiential investigations carried out to date also appear to support these broad propositions acknowledged for developing economies.

Schultz (2005) considered this research as lifetime savings as an alternate for children, and model the causes for the turn down in fertility which changes the age compositions

and possibly will there by account for savings and growth in Asia. This study anticipated scale of active aggregate relationship which appeared to be insignificant than reported, and responsive to the choice of econometric methods used to describe it. Moreover, studies of savings behaviour at the household level do not find adequate life cycle variations in savings to report for these alleged aggregate relationships.

Nair examined the impact of financial sector liberalization actions on household sector saving rate in India by constructing a continuous time series financial sector liberalization index. The shock of the index, along with the other determinants of household sector savings in India is estimated using a universal model. The results advocates a significant negative impact of the index on household saving rate, which gives an indication of the increased credit availability owing to financial sector liberalization leading to amplified consumption rather than savings. Among the other determinants, absolute income is the major significant and positive determinant of household sector saving rate in India in the period of the study. Inflation rates, interest rate, young and old dependency ratio are the determinants of saving taken.

Bayoumi (1993), used an overlapping generation model analyzes the impact of financial liberalization on household savings in the lifecycle framework. Aforementioned to financial liberalization, the young are unable to finance their preferred level of consumption in the face of borrowing constraints while they are able to use capital markets to smooth consumption over their middle to old age. Since consumption was lower than desired in the young age, normally the consumption will be higher in their middle and old age. Financial liberalization increases the competition between providers of financial intermediation and it reduces liquidity constraints of consumers. This has a temporary and a permanent effect. The initial temporary effect is the increase in aggregate consumption by the young consumers, which will wane over time. However, the consumption of old consumers is not immediately affected as they are still affected by their inability to borrow when they were young. The permanent effect of financial liberalization is that as young consumers are no longer credit constrained, they will smooth their consumption. As a result, the saving of a young consumer becomes sensitive to wealth, real income and other demographic and macroeconomic factors.

Komicha (2007) examined to understand and explain farm household economic behaviour with reference to saving, credit and production efficiency under imperfect financial market conditions based on data obtained from farm household survey conducted in two districts of south-eastern Ethiopia from September 2004 to January 2005. Data was analyzed using stochastic frontier analysis and limited dependent variable econometric tools where farm household saving behaviour and its determinants were studied. Factors like the interest rate, loan processing time, type of loan, credit information and loan size, significantly affected this borrowing behaviour of the farm households. The study used farm household survey data collected using structured questionnaire, which covered crop and livestock production, off-farm and non-farm activities, income, consumption, saving and borrowing activities of the farm households. The farm households were randomly selected from six Farmers Associations (FAs), based on agro-ecological zones of the two districts – four from Merti and two from Adamitullu-Jido-Kombolcha. As evident in this Article, about 62% of the farm households had savings in financial and physical assets but almost all farm households (about 90%) had savings held informally. This was explained more by problems of incentives and opportunities to save than by their ability to save. It suggested that financial institutions with easy access, low transaction costs, higher real returns on savings and convenient withdrawal of savings may provide incentives for those who hold financial savings informally to channel their savings into the formal institutions.

Kraay (2007) analyzed a variety of statistical issues that cloud the measurement of aggregate and household saving in China, and provides new empirical evidence on the importance of inter-temporal considerations in explaining inter-provincial variation in household saving in China. The provided a description of trends in aggregate and household saving in China, and discussed on the measurement issues. This paper presented new evidence on determinants of household saving in China using a panel of province-level data from China's household survey. It concluded with a discussion of the policy implications and directions for further research. A brief appendix provided additional information on the household survey as well as. The empirical evidence on the determinants of household saving presented here reflected favourably on two complementary explanations (expectations of future income growth and the role of

subsistence consumption), these factors captured only a small fraction of the cross-provincial variation in household saving rates.

Buragohain (2009) discussed the trend and pattern of savings in general and household sector savings in particular and assessed the major determinants of household sector savings based on fundamental theory. The time series data consisting of four elements corresponding to (a) seasonal fluctuations, (b) cyclical variations, (c) systematic trend and (d) residual. In an annual time series, seasonal fluctuations are automatically eliminated in the aggregating/averaging of weekly/monthly/quarterly income, consumption and savings. Three or five yearly moving averages of annual values eliminated the transitory component corresponding to short-run cyclical element, leaving only trend and residual components of the series has used as the methodology. In this study an attempt is made to test similar hypotheses based on fundamental theories of savings and investment and to identify some variables which by intervention can increase savings and investment in India.

Delafrooz and Paim (2011) discussed the relationship of savings behaviour and financial problems to financial literacy, financial stress and financial management practice in a sample of 2246 Malaysia workers. The findings revealed that (1) Financial management practices and financial stress significantly predicted financial problems; (2) Financial management practices and financial literacy significantly predicted saving behaviour; (3) There was no significant relationship between financial literacy and financial problems; and (4) There was no significant relationship between financial stress and saving behaviour. These findings highlighted the need for financial education programs for workers to be directed at facilitating changes in financial management practices and reduce financial stress and improving financial knowledge. The main objective of this study was to gain a better understanding of the determinants of saving behaviour and financial problems among Malaysia private and public sectors' workers. The study employed structural equation model to examine the degree to which financial literacy, financial management practices and financial stress influenced financial problems and saving behaviour. This study highlighted several important findings. First, the importance of financial management practice in predicting both financial problems and saving behaviour suggests that financial education and counselling should address

the workers' attitudes towards saving behaviour and financial management practices. Second, the finding that there was significant relationship between saving behaviour and financial literacy highlights the need to increase awareness among workers to financial problems and the potential benefits of seeking professional financial assistance. Finally, the finding that there was significant relationship between financial problem and financial stress proof the need to improve workers' financial problem by reducing financial stress.

Akpan et al. (2011) determined factors that affect household saving of rural agro-based firm workers in the south-south region of Nigeria. Two-stage least squares method of simultaneous equation model was used in the analysis. Cross-sectional data were collected from 250 randomly selected workers of five agro-based firms in the study areas. The results of the analysis revealed that income, tax, job experience, education, family size and membership of a social group influence saving attitude of workers. To promote household savings among agro-based workers in Nigeria, policies aim at periodic increase in worker's salary and reduction in tax rate in line with the changing pattern of macro-economic variables in the country were advocated. The study was conducted in Calabar Municipality, Odukpani, and Akamkpa Local Government Areas of Cross River State, Nigeria. The three local government areas cover the operational areas for most productive rubber estates in the southern part of Nigeria. Primary data were collected with the aid of a well structured questionnaire and interview scheduled. Five rubber estates in the study areas were used for data collection. Two hundred and fifty (250) workers in the different estates payrolls were randomly selected from the various operational areas of the agro based firms.

Turner and Manturuk (2012) examined how individual, institutional, and structural determinants impact the decision-making processes that guide participants' savings behaviour. Results showed that individual factors such as obligation to family, upbringing, and employment experiences affect participants' attitudes toward savings and their confidence in their ability to save. Institutional factors such as incentives, disincentives, and organizational culture shape participants' trust in financial institutions and their attitudes towards participating in savings programs was studied. This study used in-depth interview data collected from 48 people who participated in save NYC in

2009. At the time that people signed up for the program, they were asked if they would be willing to be contacted later for a survey about their participation. Of the 879 participants who agreed to be contacted. This study sought to understand the experiences of participants in a unique matched savings account program in the specific context of New York City.

Gedela (2012) examined the determinants of the saving behavior of the tribal and rural households in the district of Visakhapatnam. The data of 120 sample households has been collected from both tribal and rural households by using interview schedule. This study has been used the Multiple Regression Model and Logistic Regression Model for finding out the determinants of saving behavior of households situated in tribal and rural areas. The results ultimately revealed that the age of the head of the household, sex, dependency ratio, income and medical expenditure are significantly influencing the saving behavior in the entire study area. In the tribal area, dependency ratio and medical expenditure has severely affected of household savings. Income is the most crucial factor of the saving behavior in the entire study. The study found that male headed households save more than female headed households.

Bakshi et.al (2012) demonstrated that household incomes surveys showing no reliable large-scale sources of data on household incomes. A methodological framework has been developed for the estimation of rural household incomes of India. Income distribution based on findings from eight village surveys is conducted using the approach outlined. The two main findings from the study were that, (a) household incomes were underreported in rural areas, and (b) household incomes were lower than the aggregate of consumption and savings.

Bhushan Puneet (2013) examined the awareness level and investment behavior of salaried individuals of Himachal Pradesh towards financial products. The author found that only 24.6% respondents had invested in pension funds, which means most of the people do not plan for retirement which is not a very healthy sign. Also 77.7% people had invested in life insurance which means that people are aware about the importance of life insurance. Only 39.1% respondents invest in public provident fund. The researcher concluded that respondents were quite aware about traditional and safe financial products whereas awareness level of new age financial products among the

population was low. Majority of the respondents park their money in traditional and safe investment avenues so people must be made more aware about new investment opportunities available in the market.

Vasantbhai, Sakaria, Sima (2013) in their study focused to identify and evaluate the financial literacy among retired persons of Rajkot city. Further, the study aimed to measure the financial awareness and knowledge of the retired persons and also to make suggestions for better investment options to the perspectives investors. With F – Test and Sandler – 'A' at 5% level, the researcher concluded that 88% of respondents were knowledgeable about how to invest and where to invest and 12% of respondents were not aware about the same. The age group and savings were found to affect the issues related to financial literacy. Research also found that market information and skills were necessary in investment decision.

Kothari (2014) examined a study namely "Investment Behaviour Towards investment Avenues: A study with reference to Indore City. The study highlighted that the savings of the people invested in assets depending on their risk and return demands, safety of money, liquidity, the available avenues for investment, various financial institutions etc. Descriptive research design is carried out to describe the phenomena with a sample size of 100. It was collected from the respondent through convenient judgmental sampling method in Indore city. The author concluded that if younger generation starts investing at such an early stage on regular basis, they will able to save more for their future.

Koti (2014) concluded that investment pattern depend on the education level, income and saving level of an individual. Only 100 respondents were considered for the survey from the entire Hubli. Primary data is collected from Interaction with Branch Manager, Survey with Questionnaire. Secondary data is collected from different company's websites, related mizzens, Journals, Experts views and other related websites. The study found that many investors who don't like to invest in stock market believe risk (55%) to be the major cause for their non-investment in stock market. Few others believe lack of safety (24%) and lack of knowledge (18%) to be the other reasons for not considering stock market for their investments. Most of the people would like to save their earnings keeping future life (health) and home purchase as their primary goals of

investment. Most of the stock market investors of this Hubli region know more about equity market than any other options in stock market Many investors who don't like to invest in stock market believe risk to be the major cause for their non-investment in stock market. Investment pattern depend on the education level, income and savings level. Through, the above literature survey it is found that there are several factors which affect the investment decision of an individual and the scope of this research is wide.

Mr. C. Sathiyamoorthy & Dr. K. Krishnamurthy (2015), propounded in their study Investment Pattern and Awareness of Salaried class investors in Tiruvannamalai district of Tamilnadu, India with the help of 960 respondents as a sample size & it reveals that as per level of satisfaction of salaried class investors. Level of awareness on the basis of investment (pattern) avenues (Factors Motivated to your Investments, factors influencing your investment Decisions, savings -towards investment patterns, investment portfolio, preference of your investment, factors influence of investment preference, variables considered by you while investing in fund, performance of your investment/ savings, information from various investment avenues.

2.4. Conclusion

In the conclusion of the above theories and literature, we found that the savings does not depend upon income alone rather on the consumption pattern of the individuals also. It is clear that when the income grows the population is encouraged to save and the dis-saving occurs with the old generation as due to no or less income. The relationship between saving and the age-structure of the population is also a current topic of debate.

3. Objectives of Study

The following are the objectives of this study:

1. To identify the determinants of the saving behavior among rural people.
2. To examine the pattern of saving behavior.
3. To study the investing habits amongst rural investors.
4. To examine the sources of income and consumption pattern of rural investors.
5. To analyze the influence of demographic factors on investment patterns.
6. To find out whether there is any difference in the investment patterns of various category of investors.

Hypothesis of the study

1. There is no significance change in pattern of saving behaviour in different blocks of District Una.
2. There is no significance change in the investing behaviours on various investment avenues.
3. There is no significance difference in preference of investors and their needs regarding investment.
4. There is no significant relationship between the gender and investment pattern.
5. There is no significance relationship between the income of the respondents and investment pattern.
6. There is no significance relationship between the age of respondents and investment pattern.
7. There is no significance relationship between education level and investment pattern of investor.
8. There is no significance relationship between occupation and the investment pattern made by investor.
9. There is no significant relationship between the marital status and the investment choice made by the investor.
10. There is no significance relationship among various investment avenues and category of investors.

4. Research Methodology

Research problem: The first step in research is the formulation of research problem. It is the most important stage in applied research since poorly defined problems will not yields useful results. It is rightly said, “A problem defined is half solved “The study will analyze: - “**Investment Pattern of People in Rural Areas of Himachal Pradesh- A Case Study of District Una”.**

Research Design

Research Design refers to blue print for the research. It is a plan through which observations are made and data is assembled. It provides an empirical and logical basis for drawing conclusion and gaining perfect knowledge. To accomplish the above objective of the study both primary and secondary data was collected. The research will be endowed with the following research design:-

Sources of Data: Both Primary data and secondary data will be used for this research.
Primary Data – The primary data shall be collected through a well designed questionnaire from the rural Una district of Himachal Pradesh.
Secondary Data – Secondary data pertaining to population shall be obtained from relevant source, secondary data pertaining to literature review, analysis etc shall be collected from various books, magazines, journals etc which shall be properly acknowledged.

4.1 Need and Significance of Study

There are not many studies conducted or available relating to the determinants of saving pattern of the rural people of Himachal Pradesh at the micro level. Most of the studies on saving pattern of rural people are based on secondary data which sometimes does not prove to be adequate for the study. Most of the data available does not serve the needs of Himachal Pradesh in a ground level prospective. While studies conducted

on the saving and income expenditure among rural and urban households for various expenditure classes, little effort has been made to study the saving pattern related to the individual's behaviour towards saving within rural sector.

The study on pattern of saving behaviour in rural areas provides an important indicator for economic development of the country. This study can also help to define the factors influencing the saving pattern and to analyze certain constraints in the saving attitude in the rural areas.

4.2 Scope of the study

This is a preliminary study of the saving pattern of the households in Una district of Himachal Pradesh.

4.3 Sampling Design

Stratified sampling and multistage convenient sampling technique shall be adopted for this study. The present study will be conducted in district Una of Himachal Pradesh. There are five blocks (i.e. Una, Amb, Gagret, Bangana and Haroli) in district Una out of which we have selected all for the purpose of our study. From the selected blocks we will select different panchayats where research work will be conducted. From the selected panchayats we will select villages where research has to be conducted. After selecting the villages all households will be categorized in different categories and they will be arranged on the bases of their size of holdings and 500 household will be selected for the purpose of this study.

Sample Description

Sample design = Stratified sampling

Sample size = 500

Universe size = The Una district of Himachal Pradesh.

4.4 Statistical tools and techniques to be applied

Analysis – The primary data collected shall be analyzed using SPSS – statistical packages for social sciences – statistical tools like regression analysis, Z test, ANOVA, Post hoc test shall be applied.

4.5 Limitations of the Study:

The scope of the study is restricted to the Una district rural investors.

Tentative Chapter Scheme

Chapter 1	Introduction
Chapter 2	Review of literature
Chapter 3	Objectives of the study
Chapter 4	Research Methodology
Chapter 5	Analysis & Interpretation
Chapter 6	Limitations of the study
Chapter 7	Conclusion

References

1. Atkinson, A. (2008). "*Evidence of impact: An overview of financial education evaluations".* Consumer Research, 68.
2. Fisher, P. J. (2010). "*Black-white differences in saving behaviors". Financial Services* Review, 19(1), 1-16.
3. Hilgert, M. A., Hogarth, J. M., & Beverly, S. G. (2003). "*Household financial management: The connection between knowledge and behavior".* Federal Reserve Bulletin, 89(7), 7.
4. Agrawal Pradeep, Sahoo Pravakar and Dash Ranjan (2008). *"Savings Behaviour in South Asia"*, Working Paper Series No. E/289/2008.
5. Fisher Patti (2010), *"Gender Differences in Personal Saving Behaviors",* Journal of Financial Counseling and Planning, Vol. 21, (1), 2010.
6. Gedela Surya Prakasa (2012), *"Determinants of Saving Behavior in Rural and Tribal Households: An Empirical Analysis of Visakhapatnam District",* International Journal of Research in Social Sciences, http://www.ijmra.us, Vol. 2, (8).
7. Hoos Karin (2010), *"Saving Behavior in Cebu City: Contribution to the Livelihoods of Urban Poor Households",* Master Thesis, International Development Studies.
8. Issahaku Haruna (2011), *"Determinants of Saving and Investment in Deprived District Capitals in Ghana -A Case Study of Nadowli in the Upper West Region of Ghana"*, Wilolud Journals, Continental J. Social Sciences 4 (1): 1 - 12, 2011.
9. Jappelli Tullio and Pagano Marco (1997), "The Determinants of Saving: Lessons from Italy", Paper prepared for the Conference on "Determinants of Domestic Savings in Latin America", organized by the Inter-American Development Bank, Santafè de Bogotà.
10. Jayaraman T K (1979), *"Savings Behavior in Gujarat",* Margin, Vol. 12, No. 1.
11. K. Veena, Kaur Jaspreet, Saxena Khushboo and Nijhara Mitesh (2010), *"Impact of Membership Of Financial Institutions On Rural Saving: A Micro-Level Study",* International Business & Economics Research Journal, Vol. 9 (10).

12. Bhushan Puneet, Medury Yajulu (2013), *"Financial Literacy and its Determinants",* International Journal of Engineering, Business and Enterprise Applications, 4(2), 2013, 155-160.
13. Vasantbhai, Sakaria, and Sima (2013*),"Financial Literacy among Retired Persons: A case study of Rajkot City",* Indian Journal of Applied Research,3(4), 2013.
14. Kothari, Heena (2014), *"Investors Behaviour Towards Investment Avenues: A Study with Reference to Indore City",* Altius Shodh Journal of Management and Commerce, volume : 1, Issue: 2, 2014, ISSN: 2348-8891.
15. Koti, Kartikey (2014), *"Investors Preference towards Stock Market and Other Investment Options",* IJRMBSS, Vol. 2 I Issue 1 I Jan. 2014, ISSN: 2321-9874.

Bibliography

1. Frank K. Reilly and Keith C. Brown. *"Investment Analysis & Portfolio. Management".* Tenth Edition.
2. Edwin J. Elton (Author), Martin J. Gruber (Author), Stephen J. Brown. *"Modern Portfolio Theory and Investment Analysis".* Edition 2010.
3. Padamlata Suresh. Justin Paul. *"Management of Banking and Financial Services".* Pearson Publication, 2nd Edition 2010.
4. C. R. Kothari. *"Research Methodology: Methods and Techniques".* New Age International Publication, 2004.
5. Mukul Gupta. Deepa Gupta *"Research Methodology".* PHI Publication, Edition 2011.
6. Creswell. *"Research Design: Qualitative, Quantitative and Mixed Methods Approaches"*. Sage South Asia Edition 2011.
7. Prasanna Chandra. *"Financial Management".* Tata McGraw-Hill Publication, 2008.
8. M. Y. Khan. *"Financial Services".* Tata McGrawa Hill Publication, 2004.
9. Gurusamy. *"Financial Services".* Tata McGrawa Hill Publication, 2009.
10. Yogesh Maheshwari. *"Investment Management".* PHI Publication, 2008.
11. Pradeep Kashyap. *"Rural Marketing".* Pearson publication, 2012.
12. Katar Singh. *"Rural Development: Principles, Policies and Management".* Sage Publishing, 2009.
13. U. C. Mathur. *"Rural Marketing".* Excel Books publication, 2008.